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Sent: Saturday, August 1, 2020 5:29 PM
To: jeffrey.spotts@prophecyfund.com
Subject: Prophecy Investor Update - August 1, 2020

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Dear Prophecy Investors,

From all of us at Prophecy Asset Management, LP ("Prophecy"), we hope this letter finds you and your families safe and well. We write with an update as to the status of Prophecy Trading Advisors, LP and International LTD and Prophecy Special Opportunities Fund, LP and International LTD.

As discussed in prior calls and our investor letter dated March 30th, 2020, the General Partner and Board of Directors have temporarily suspended redemptions and the payment of redemptions.

Liquidation and Resumption of Redemptions

As Prophecy collects cash and/or securities, it will pay down any liabilities, including if possible the unpaid January and February redemptions. Once these are satisfied, Prophecy, in consultation with the offshore funds' Boards, will meet and will look to take the next steps towards full liquidation of the funds. This will involve compelling all partners' redemptions and liquidating on a pro-rata basis until all assets have been disbursed. Prophecy intends to evaluate the need to maintain a suspension of redemptions and the payment of redemptions on a monthly basis and will alert the funds' investors of any change in status regarding the suspensions, including any anticipated dates for redemption payments. Investors will not have to submit redemption documents.

Net Asset Value Statements

We have resumed the production of NAV statements, which will be estimated, due to the fact that the funds' collateral arrangements are in dispute. We had briefly suspended this effort due to the potential for settlement of disputes related to those collateral arrangements. Now that we are moving ahead with the arbitration process discussed below, we are working diligently to provide estimated NAV statements as soon as possible. In order to advance this effort, Prophecy has engaged a third-party pricing/valuation company, Pluris Valuation Services. Prophecy is coordinating with Prius and the Administrator so that the Administrator may issue February-July estimated NAV statements as soon as reasonably possible.

Audit

As previously indicated, Prophecy has engaged Marcum, LLP ("Marcum") to complete the 2018 re-audit and the 2019 audited financial statements of Prophecy Trading Advisors, LP and International, LTD. Prophecy also has engaged Marcum to complete the 2019 audit for Prophecy Special Opportunities Fund, LP and International, LTD. We expect that Marcum will complete its re-audit of the 2018 financial statements in the coming weeks. As soon as these are completed, we will deliver them via the Administrator, Mitsubishi Fund Services (MUFG). We believe that the audits of the funds' 2019 financial statements will be delayed by the pending arbitration.

Suspension of Management Fee

During this period, we have been working and continue to work to preserve investor assets and to serve you as best as possible. Prophecy has suspended the collection of any management fee for periods after January 1, 2020 and will continue to do so until further notice.

Current Status of Collection of Assets

As we previously have disclosed to you, we are in the process of attempting to collect from a sub-advisor. There are two main components of that collection:

1. The redemption and collection of investments made with the sub-advisor; and
2. The collection of losses incurred by the sub-advisor, including the realization of collateral related to such losses.

Prior to March of this year, Prophecy had entered into a number of agreements with the sub-advisor which include collateral arrangements, personal guarantees, subscriptions, and short-term loans. Many of those agreements are the subject of the arbitration discussed below as well as our settlement efforts.

Arbitration

On May 27, 2020, Prophecy filed an arbitration claim against the sub-advisor and related entities before the American Arbitration Association (AAA). As the existing agreements required us to litigate in more than one forum, we entered into an agreement with the sub-advisor to resolve our disputes in a single arbitration. This allowed the entire matter to be rolled up and resolved in one litigation, rather than fighting it in various venues which would have been far more expensive for the funds. Also, due to the pandemic, many courts were still closed, with further backlogs, which we expected would delay our remedy further.

On July 8, 2020, Prophecy filed an application for emergency relief, seeking immediately to enjoin and attach the sub-advisor's assets and tie them up pending the outcome of the arbitration (*i.e.*, before any finding of liability). There was a low probability the motion would be granted, largely because there is a high burden to obtain this type of emergency relief – enjoining and attaching an adversary's assets before they are found liable for anything – and it is rarely granted. Nonetheless, had the relief been granted, it would have offered further protection for investor assets and may have positively impacted any settlement discussions.

Unfortunately, on July 28, 2020, the emergency arbitrator denied our application. This is an interim decision that is not a binding, final resolution. The arbitration rules provide for the parties to select an arbitrator, who will make the ultimate, binding decision on the merits of the case. We are entitled to a thorough discovery process, and will be able to present our evidence at a hearing.

On July 10, 2020, the sub-advisor and related entities filed an answer to Prophecy's claims containing a vague counterclaim that does not provide any supporting factual allegations. On July 27, 2020, Prophecy filed its reply generally denying the allegations in the counterclaim.

Arbitrations are confidential processes, and we expect our limited partners to keep information regarding the arbitration confidential. For those of you who have questions about the arbitration process, we direct you to the AAA arbitration rules, which are publicly available at: <https://www.adr.org/Rules>

Settlement Negotiations

While the parties to the arbitration are not in active settlement discussions, we will continue to look for opportunities to obtain a satisfactory recovery through negotiation. Offers and conditions for settlement had previously been exchanged, but for various reasons were not acceptable. We believe that both parties would prefer to avoid a protracted legal fight. For our part, we want to maximize the recovery to be had, bearing in mind risks associated with collection and the time value of money.

Ongoing Communication

As always, please do not hesitate to contact me directly with any questions or requests at: jeffrey.spotts@prophecyfund.com

Kind regards,

Jeffrey Spotts, CMT
Chief Executive Officer

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